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SIPDIS

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E.O. 12958: N/A

TAGS: ECON ETRD SF

SUBJECT: SAG OFFICIAL: SADC TO FOCUS ON CONSOLIDATION OF FREE TRADE AGREEMENT

¶1. (SBU) Summary: Trade flows within the Southern African Development Community (SADC) remain disappointingly limited in spite of the SADC free trade agreement, according to the SADC desk officer at South Africa's Department of Trade and Industry (DTI). Poor infrastructure, non-tariff barriers, and lack of capacity have inhibited intra-SADC trade. SADC plans to address these issues, but will probably not meet its 2010 deadline of a customs union. End Summary.

Trade Is About More Than Low Tariffs

¶2. (SBU) Trade flows within the Southern African Development Community (SADC) remain disappointingly limited, in spite of the SADC free trade agreement, according to Njabulo Mbewe, the SADC desk officer at South Africa's Department of Trade and Industry (DTI). He met Trade and Investment Officer and Deputy Economic Counselor on November 9.

¶3. (SBU) According to Mbewe, the elimination of many tariffs and the launch of the SADC free trade area in 2008 are not changing old patterns of SADC trade, even though 85 percent of intra-SADC trade is now tariff-free. "South Africa still has a big trade surplus with the region," he said. "Free trade hasn't led to a supply-response in the other SADC countries." He blamed the non-response on poor infrastructure, non-tariff barriers, lack of capacity, and other constraints.

¶4. (SBU) Under the circumstances, SADC will now focus on consolidation of the SADC free trade agreement, Mbewe said. Between now and 2012, SADC negotiators will address issues such as rules of origin, non-tariff barriers, border red tape, and the elimination of remaining intra-SADC tariffs. In Mbewe's view, the last issue could be especially difficult, since the remaining intra-SADC tariffs protect sensitive industries.

Looking Ahead on Regional Integration

¶5. (SBU) Mbewe said that plans for a SADC customs union will be put on a backburner, at least for now. There is widespread recognition within SADC, he said, that a customs union is not feasible by the current deadline of 2010. However, he expressed doubt that SADC's political leadership would officially abandon the goal. Within the SAG, Mbewe confided, there is displeasure that SADC discussions of a customs union revolve mostly around revenue sharing, rather than trade policy.

¶6. (SBU) Looking ahead, Mbewe said SADC members must formulate joint industrial and investment policies, lest member states chase after the same investments or create industries that duplicate rather than support each other. He also stressed the need for SADC countries to do a better job of coordinating with each other and with development banks on infrastructure projects with regional dimensions. He said South Africa's own development finance institutions -- the Industrial Development Corporation and the Development Bank of Southern Africa -- plan to step up lending outside of South Africa in an effort to promote "real" integration. Finally, SADC will explore free trade agreements with other African bodies such as COMESA. "This is what business wants us to do," he said. "They want to trade with the entire continent."

Comment

¶7. (SBU) Mbewe's comments underscore the vital role of USAID's Southern Africa Global Competitiveness Hub in QUSAID's Southern Africa Global Competitiveness Hub in Gaborone. The Hub aims to promote cross-border trade by enhancing the competitiveness of African products and services, building capacity for trade policy formulation and implementation, and strengthening the enabling environment for African businesses. The Hub is often cited by South African officials as a model trade development and regional integration program.

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